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G.O.P. Senators Balk at Tax Cuts in Bush's Budget

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WASHINGTON, March 9 - President Bush's plan to extend his tax cuts over the next five years ran into resistance in the Senate on Wednesday as Republican leaders offered a budget for 2006 that would undo more than a fourth of the cuts that Mr. Bush has requested.

Uneasy about the potential impact on the ballooning federal deficit, the Senate Republicans called for \$70.2 billion in tax cuts over the next five years, as opposed to the estimated \$100 billion the White House is seeking. It does not specify which cuts will be extended or which taxes might be restored, but Senator Judd Gregg, the New Hampshire Republican who is chairman of the Budget Committee, said his intent was to extend reductions on capital gains and dividend taxes, which are set to expire in 2008.

"I think we can get most of the expiring provisions, which I happen to consider to be fairly benign provisions with a lot of support, under the \$70 billion umbrella," Mr. Gregg told reporters after introducing the \$2.6 trillion proposal, which lays out a blueprint for spending through 2010. He added, "I think it's an appropriate approach."

The Senate's proposal to scale back the extension of Mr. Bush's tax cuts comes at a time when Republicans are also feeling queasy about the White House's major domestic policy initiative for the year, overhauling Social Security. And the budget was not enough to mollify some Senate Republican moderates, who expressed concern Wednesday about extending the tax cuts at a time when the deficit is at a record high and domestic programs from farm subsidies to veterans' benefits and education are facing steep cuts.

Like the White House budget, both the Senate budget, introduced on Wednesday, and

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the \$2.55 trillion House version, which Republicans pushed through the Budget Committee on Wednesday, promise to cut the deficit in half in five years, though Democrats dismiss that promise, saying extending the tax cuts would increase the deficit over current projections. Both the House and Senate would reduce spending on so-called entitlement programs, including Medicaid, the insurance plan for the poor, marking the first time since 1997 that Congress has sought to curb the growth of entitlements.

When asked if she would support extending the tax cuts, Senator Olympia J. Snowe, the Maine Republican who is an influential member of the Finance Committee, said, "Suffice it to say, I do have serious concerns with the fundamental priorities that are being constructed in the budget." She added, "It's exacting a high price from some of the programs that are critically important to the future."

Senator Lincoln Chafee, the Rhode Island Republican who has warned about the federal deficit, said, "I've been consistently opposed to tax cuts when at the same time we're not controlling our spending, and I don't think this year will be any different."

The fight over taxes and spending, which will occupy Congress at least through next week, will be a crucial test of President Bush's strength on Capitol Hill. Though the budget resolution is nonbinding, it serves as an important blueprint for federal tax and spending policy. Yet Congress has failed to adopt a budget for two of the last three years; at a time when Mr. Bush is emphasizing fiscal responsibility, failure to do so this year would be an embarrassment for both the White House and the Republican leadership.

But as details of the budget plans emerged on Wednesday, it became clear that meeting Mr. Bush's spending goals could prove a difficult task, not only because of the tax issue but because many lawmakers are pressing to restore Mr. Bush's proposed cuts in domestic programs. Among them is Senator Norm Coleman, Republican of Minnesota, who has gathered signatures of 57 senators to fight for urban renewal grants, which Mr. Bush proposes to cut.

"I think in the end we'll get there - I hope we'll get there," Mr. Coleman said when asked if it would be possible to pass a budget this year. But, he added, "At this point, there's a lot that's open to discussion."

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